Before the **Federal Communications Commission** Washington, D.C. 20554

In the Matter of)	
)	
Time Warner Entertainment-Advance/Newhouse)	
Partnership)	CSR 7395-E
•)	
Petition for Determination of Effective)	
Competition in South Carolina Communities)	

MEMORANDUM OPINION AND ORDER

Adopted: March 11, 2011 Released: March 17, 2011

By the Senior Deputy Chief, Policy Division, Media Bureau:

INTRODUCTION AND BACKGROUND I.

Time Warner Entertainment-Advance/Newhouse Partnership ("Time Warner" or the "Company") has filed with the Commission a petition pursuant to Sections 76.7, 76.905(b)(2), and 76.907 of the Commission's rules for a determination that the Company is subject to effective competition in the six communities listed on Attachment A and hereinafter referred to as the "Attachment A Communities." Time Warner alleges that its cable system serving the Attachment A Communities is subject to effective competition pursuant to Section 623(l)(1)(B) of the Communications Act of 1934, as amended ("Communications Act") and the Commission's implementing rules, and is therefore exempt from cable rate regulation in the Communities because of the competing service provided by two direct broadcast satellite ("DBS") providers, DIRECTV, Inc., and DISH Network. Time Warner also claims to be exempt from cable rate regulation in the three Communities listed on Attachment B (the "Attachment B Communities"), pursuant to Section 623(1)(1)(B) of the Communications Act ³ and the Commission's rules, because the Time Warner serves fewer than 30 percent of the households in those franchise areas.

A. **Procedure**

- 2 The Petition, as originally filed, included the City of Orangeburg (SC0019). Time Warner requested by letter that it be withdrawn.⁵ No party opposes this request, and we grant it.
- 3. Two oppositions to the Petition were filed. The first bore on its title page the names of franchise authorities in six Attachment A Communities. One of them was Orangeburg, which has been withdrawn. Another franchise authority named in the first opposition, the City of Sumter, appears to have

¹ See 47 U.S.C. § 543(1)(1)(B).

² 47 C.F.R. § 76.905(b)(2).

³ See 47 U.S.C. § 543(1)(1)(A).

⁴ 47 C.F.R. § 76.905(b)(1).

⁵ Letter from Craig A. Gilley, Esq., Fleischman and Harding LLP, counsel for Time Warner, to Steven Broeckaert, Senior Deputy Chief, Policy Division, Media Bureau.

⁶ Opposition to Petition for Special Relief of Time Warner Entertainment-Advance/Newhouse Partnership, titled as being on behalf of Cayce, Columbia, Orangeburg, Springdale, Sumter, and West Columbia ("Opposition").

been included by mistake. We will therefore refer to the filers of the first Opposition as the "Four Authorities" – the City of Cayce, the City of Columbia, the Town of Springdale, and the City of West Columbia. The second opposition was filed by the City of Sumter. It makes no arguments specific to Sumter and adopts the arguments in the first opposition that are not specific to any Community. Time Warner filed a consolidated Reply.

4. The Four Authorities and the City of Sumter (collectively, the "Opposing Authorities") requested leave to file a surreply, ¹⁰ and filed one. ¹¹ Pleadings in excess of the usual three are allowed only on a showing of extraordinary circumstances. ¹² We find that the Opposing Authorities have shown extraordinary circumstances. The numerical research in this case was unusually complex. The surreply is brief and is limited to refutations of specific claims that Time Warner made for the first time in its Reply. Accordingly, we grant the request for leave to file the surreply.

II. DISCUSSION

5. In the absence of a demonstration to the contrary, cable systems are presumed not to be subject to effective competition, ¹³ as that term is defined by Section 623(l) of the Communications Act and Section 76.905 of the Commission's rules. ¹⁴ The cable operator bears the burden of rebutting the presumption that effective competition does not exist with evidence that effective competition is present within the relevant franchise area. ¹⁵ For the reasons set forth below, we grant the petition based on our finding that Time Warner is subject to effective competition in the Communities listed on Attachments A and B.

A. The Competing Provider Test

6. Section 623(l)(1)(B) of the Communications Act provides that a cable operator is subject to effective competition if the franchise area is (a) served by at least two unaffiliated multi-channel video programming distributors ("MVPDs") each of which offers comparable video programming to at least 50 percent of the households in the franchise area; and (b) the number of households subscribing to programming services offered by MVPDs other than the largest MVPD exceeds 15 percent of the households in the franchise area.¹⁶ This test is referred to as the "competing provider" test.

⁷ The title page of this Opposition lists the City of Sumter, but the first pages and the signature page do not. Also, the City of Sumter filed a separate opposition.

⁸ Opposition to Petition for Special Relief of Time Warner Entertainment-Advance/Newhouse Partnership, filed on behalf of the City of Sumter ("Sumter Opposition").

⁹ Sumter Opposition at 1. These arguments are addressed in Section II.A.2.c below.

¹⁰ Motion for Leave to File Surreply.

¹¹ Surreply of the City of Cayce, the City of Columbia, the City of Orangeburg, the Town of Springdale, the City of West Columbia, and the City of Sumter, S.C., Regarding Time Warner's Petition for Special Relief ("Surreply").

¹² 47 C.F.R. § 76.7(d).

¹³ 47 C.F.R. § 76.906.

¹⁴ See 47 U.S.C. § 543(1); 47 C.F.R. § 76.905.

¹⁵ See 47 C.F.R. §§ 76.906-.907(b).

¹⁶ 47 U.S.C. § 543(l)(1)(B); see also 47 C.F.R. § 76.905(b)(2).

1. The First Part

- 7. The first part of this test has three elements: the franchise area must be "served by" at least two unaffiliated MVPDs who offer "comparable programming" to at least "50 percent" of the households in the franchise area. Time Warner asserts that the Attachment A Communities are "served by" the DBS providers and that these two MVPD providers are unaffiliated with Time Warner or with each other. A franchise area is considered "served by" an MVPD if that MVPD's service is both technically and actually available in the franchise area. DBS service is presumed to be technically available due to its nationwide satellite footprint, and presumed to be actually available if households in the franchise area are made reasonably aware of the service's availability. The Commission has held that a party may use evidence of penetration rates in the franchise area (the second part of the competing provider test discussed below) coupled with the ubiquity of DBS services to show that consumers are reasonably aware of the availability of DBS service. Time Warner's asserts that both DBS providers offer service to at least "50 percent" of the households in the Attachment A Communities because of their national satellite footprint. None of the Opposing Authorities challenges any of the foregoing assertions or presumptions.
- 8. There is dispute, however, whether Time Warner's programming is "comparable" to the DBS providers'. Section 76.905(g) of our rules defines "comparable programming" by a competing MVPD as that MVPD offering at least 12 channels of video programming, including at least one channel of nonbroadcast service programming. The petition includes citations to the channel lineups for the DBS providers. The Opposing Authorities do not deny that each DBS provider's lineup includes many more than the numbers and types of channels that out rule requires. The Opposing Authorities argue, however, that we should "look closely" at whether DBS programming "is really comparable" to Time Warner's, and they urge us to find that it is not. We decline the Authorities' invitation. Our rule is clear and the DBS providers' channel lineups comply with it. This adjudicatory proceeding is not the place to amend our rule, and the Opposing Authorities do not ask for a waiver of it. We reject, as we have in several past decisions, the Authorities' argument that we should disregard our rule because of alleged dissimilarities between cable service and DBS service. Time Warner and the DBS providers offer comparable programming in the Attachment A Communities. Accordingly, we find that the first part of the competing provider test is satisfied in those Communities.

¹⁷ 47 C.F.R. § 76.905(b)(2)(i).

¹⁸ See Petition at 3-4.

 $^{^{19}}$ Mediacom Illinois LLC, 21 FCC Rcd 1175, 1176, \P 3 (2006).

²⁰ See Petition at 6-7.

²¹ See 47 C.F.R. § 76.905(g). See also Petition at 5-6.

²² See Petition at 4, 6.

²³ Opposition at 12-13 (quoted words at 12).

²⁴ See, e.g., Comcast Cable Commun., LLC, Memorandum Opinion & Order DA 10-1787 at ¶¶ 8-9 (rel. Sept. 21, 2010), available at 2010 WL 3641218 ("Comcast I"); Comcast Cable Commun., LLC, 24 FCC Rcd 1780, 1782, ¶¶ 8-9 (2009), application for review pending ("Comcast II"); CoxCom, Inc., 22 FCC Rcd 4522, 4524, ¶ 5 (2007); Comcast Cable Commun., LLC, 22 FCC Rcd 694, 697-98, ¶¶ 8-9 (2007).

2. The Second Part

9. The second part of the competing provider test requires that the number of households subscribing to MVPDs, other than the largest MVPD, exceed 15 percent of the households in a franchise area. Time Warner asserts that it is the largest MVPD in the Attachment A Communities.²⁵ Therefore, the second part of the competing provider test required Time Warner to calculate a ratio the numerator of which was the number of DBS subscribers in each Attachment A Community and the denominator of which was the number of households there.

a. Time Warner's Evidence

10. For its numerator, Time Warner started with a list of the five-digit zip codes part of which lie within an Attachment A Community. From the Satellite Broadcasting and Communications Association ("SBCA"), Time Warner purchased a subscriber tracking report that states the number of DBS subscribers in each of those zip codes. Then, Time Warner used an allocation percentage to apportion the DBS subscribers in each five-digit zip code between those that live within an Attachment A Community and those that live outside one. The Company added up all the DBS subscribers that had been allocated to each Attachment A Community, producing an estimate of DBS subscribers there. For its denominator, Time Warner took numbers of households stated in the 2000 Census for each Attachment A Community. (The 2000 Census was several years before the date of SBCA's DBS subscriber numbers). The resulting ratios of DBS subscribers over households show that DBS subscribership is over 15 percent in each Attachment A Community. This evidence, if accepted and not overcome by superior evidence, shows that the second part of the competing provider effective competition test is satisfied in each Attachment A Community.

b. The Four Authorities' Contentions

11. The Four Authorities attack several aspects of Time Warner's numbers: the several years difference between the DBS subscriber and household numbers that Time Warner used and the alleged fact that Cities have grown since 2000,³⁰ and the Company's use of five-digit zip codes and an allocation percentage instead of more precise nine-digit zip codes.³¹ These attacks, without more, do not suffice to overcome Time Warner's evidence. We have repeatedly held that a cable operator's evidence is not invalid merely because its DBS and household numbers are several years apart³² or because its DBS numbers are based on five-digit zip code data and an allocation factor instead of nine-digit data.³³

²⁵ See Petition at 7.

²⁶ It appears that no five-digit zip code lies entirely within an Attachment A Community.

²⁷ Petition at Exh. D.

²⁸ Id. at Exh. C.

²⁹ Petition at 8 & Exh. E.

³⁰ Opposition at 3-5.

³¹ *Id.* at 6-9.

³² See, e.g., Insight Kentucky Partners II, L.P., Memorandum Opinion & Order DA 11-279 at ¶ 9 (rel. Feb. 14, 2011), available at 2011 WL 496568 ("Insight"); Subsidiaries of Cablevision Systems Corp., 23 FCC Rcd 14141, 14143-45, ¶¶ 9-14 (2008) ("Cablevision"); Time Warner Cable Inc., 23 FCC Rcd 12210, 12214, ¶ 15, reconsideration denied on other grounds, 23 FCC Rcd 16483 (2008), application for review pending.

³³ See, e.g., Time Warner Cable Inc., Memorandum Opinion & Order DA 11-270 at ¶ 17, (rel. Feb. 15, 2011), available at 2011 WL 515658; Cablevision, 23 FCC Rcd at 14151, ¶ 34; Time Warner Entertainment Co. LP, 22 FCC Rcd 805, 808, ¶ 6 (2007); Alert Cable TV of South Carolina, Inc., 21 FCC Rcd 269, 272-73, ¶ 9 (2006).

- 12. We have also held, however, that we will accept more recent and reliable numbers presented by a franchise authority if the authority shows them to be at least as accurate as the cable operator's numbers.³⁴ The Four Authorities made their own alternative presentations here.³⁵ Even those presentations show that the second part of the competing provider test is satisfied in two Attachment A Communities, the Town of Springdale and the City of West Columbia.³⁶ In the interests of simplicity, Attachment A displays the numbers submitted by Time Warner for these Attachment A Communities, although all the sets of numbers in the record show the competing provider test satisfied there.³⁷ The rest of our discussion will analyze only the Four Authorities' numbers for the two Attachment A Communities where the Authorities' numbers show the second part of the competing provider test not to be satisfied. They are the Cities of Cayce and Columbia.³⁸
- 13. <u>The Numerator DBS Subscribers in Cayce and Columbia.</u> The Cities of Cayce and Columbia estimated the number of DBS subscribers within their borders based on nine-digit zip codes. The City of Cayce, it appears, composed its list initially from its internal records.³⁹ For purposes of this decision, we assume *arguendo* that this number (778) is accurate, and it appears in Appendix A.
- 14. The City of Columbia followed a different procedure. First, it obtained a list of residential addresses in that City from a "marketing firm which specializes in mailing lists." Then the City, by means it does not describe in detail, matched those addresses with nine-digit zip codes. The resulting list of nine-digit zip codes was excessive, the City of Columbia states, because it included places that used a Columbia mailing address although they were outside Columbia. Therefore, the City used various techniques to narrow the list of addresses to those that were actually inside Columbia. A responsible City employee candidly admits that these narrowing techniques were of limited reliability. The narrowing resulted in a list of nine-digit zip codes that the City sent to SBCA. SBCA sent back a list of DBS subscribers in those nine-digit zip codes, which the City summed to produce its estimate of DBS subscribers, 4,160. This is almost a quarter lower than Time Warner's five-digit zip code-based

³⁴ Insight, supra note 32, at \P 9; Comcast Cable Commun., LLC, Memorandum Opinion & Order DA 11-237 at \P 13 (rel. Feb. 10, 2011), available at 2011 WL 466750; Bright House Networks, LLC, 20 FCC Rcd 16823, 16827, \P 10 (2005).

³⁵ The Four Authorities claim (Opposition at 6 n.22) that three of our past decisions hold that because they have submitted their own numbers, Time Warner must show that its numbers are better. This claim is specious and those decisions are distinguishable from this one. In two of those decisions, both the cable operator and the franchise authority submitted numbers that departed from our accepted standard of household data from the most recent Census. Here, Time Warner has followed that accepted standard. *Falcon Community Ventures I, L.P,* 13 FCC Rcd 21762, 21767-78, ¶ 14 (1998); *TCI Cablevision, Inc.*, 10 FCC Rcd 2925, 2926, 2926-27, ¶ 8 (1995). In the third decision, the cable operator did not challenge the franchise authority's alternative numbers (in that case, DBS subscriber numbers). Here, Time Warner did. *Adelphia Cable Commun.*, 20 FC Rcd 20487, 20491, ¶ 16 (2005).

³⁶ Surreply at 3 (Table 2).

³⁷ None of the Opposing Authorities made any presentation of alternative numbers for the City of Sumter or the Town of Irmo.

³⁸ Surreply at 3 (Table 2).

³⁹ *Id.* at 4.

⁴⁰ Opposition at 8.

⁴¹ *Id.* at 8-9.

⁴² Opposition, Exh. 7 (Declaration of Mark D Johnson in Support of the City of Columbia's Opposition to Time Warner's Petition for Special Relief) at ¶ 7 ("The reliability of the resulting zip code plus four list is limited by that of the Melissa DATA input provided and the streets layer used in GIS, and by the specific techniques used to match the two data sets.").

⁴³ Opposition at 8-9.

estimate of 6,743.44

- 15. Estimates of DBS subscribers based on five-digit zip codes and an allocation percentage can be understated or overstated if, for example, DBS subscribership is assumed to be even throughout the zip code and, in fact, the service is significantly more popular in one part of the zip code. The City of Columbia does not allege any such facts exist in the Columbia area, however, despite its undoubted and detailed knowledge of the area's geography and population. The City's failure to impeach Time Warner's standard technique with an explanation of why it was inaccurate in the conditions of Columbia, as well as its candid admission about the arbitrary nature of its techniques, lead us to conclude that Time Warner's number of DBS subscribers is more accurate and reliable. Accordingly, we will use the number of DBS subscribers in Columbia put forth by Time Warner, 6,743.
- 16. The Denominator Households in Cayce and Columbia. As already noted, Time Warner's household numbers are taken from the 2000 Census' actual count of households in Cayce and Columbia. The Opposing Authorities propose that we increase those numbers based on a complicated formula. They started with the 2000 Census count of households (for example, 5,133 in Cayce); then calculated the rate of growth in households and population between 1990 and 2000; compared those growth rates (for example, in Cayce households grew 1.78 times as fast as population grew); then estimated the Census' estimate of population growth between 2000 and 2006 (in Cayce, 3.55 percent); concluded that because households grew 1.78 times faster than population in the preceding decade, households must have grown proportionately (in Cayce, 1.78 times 3.55 percent, or 6.32 percent). This formula, for example, raised the 2000 Census count of households in Cayce by 6.32 percent, from 5,133 to 5,457.
- 17. This formula was used by a cable operator and approved by the Commission in the 1997 decision in *Pegasus Cable Television*.⁴⁷ In that decision, however, that formula was the only one proposed, so that the household number it produced was the only household number in the record. In this case, we also have Time Warner's Census-derived numbers for Cayce and Columbia. The Four Authorities have not shown that those numbers are flawed. Compared to the simplicity and clarity of the Census count, we find that the City of Cayce's alternative household numbers suffer from too many speculative assumptions. Chief among these are that population growth, household growth, and the ratio of the two after 2000 were identical to what they had been between 1990 and 2000.⁴⁸ We will use Time Warner's numbers of households in Cayce and Columbia, which are 2000 Census household counts there. Although Census data can become outdated, we can only accept substitute data that is arrived at by reliable and non-speculative methods. In this regard, the data supplied by the Four Authorities fails.
- 18. <u>Conclusions.</u> The numbers we have chosen to use in the preceding paragraphs, when placed in the competing provider ratio of DBS subscribers over households, show that the numbers of households subscribing to programming services offered by MVPDs, other than the largest MVPD,

⁴⁵ In addition, it appears that one tracking report that SBCA sent the City of Columbia reported that there were 20,127 DBS subscribers in Columbia, almost half the number of households there (and well above the minimum for competing provider effective competition). The City's narrowing techniques see *supra* note 42) reduced that number to little more than 4,000. *Compare* Opposition at Exh. 5 at 2 *and* disk filed by Four Authorities, titled "Supplemental data, Opposition of City of Cayce et al., CSR-7395-E," 431 page-long file titled "Columbia, SC 11-12-2007.pdf" *with* Reply at 6-7. Such a high initial number leads us to question the City of Columbia's alternative presentation as a whole.

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⁴⁴ Petition at Exh. E.

⁴⁶ Opposition at 5 & Exh. 3 at 1.

⁴⁷ *Pegasus Cable Television*, 13 FCC Rcd 18, 20, ¶ 5 (1997).

⁴⁸ Reply at 3.

exceed 15 percent of the households in Cayce and Columbia (even using the DBS subscriber number proposed by the City of Cayce). As already noted, the numbers proposed by both Time Warner and the Four Authorities show the second part of the competing provider test satisfied in the Town of Springdale and the City of West Columbia. Finally, the only numbers presented for the Town of Irmo and the City of Sumter, which were developed according to our accepted formulas, show that the second part of the competing provider test is satisfied there, also. Accordingly, the second part of the competing provider test is satisfied for each of the Attachment A Communities.

c. Policy Objections

The Opposing Authorities make several general objections to Time Warner's evidence. They argue that for us to accept the Company's evidence is to impermissibly shift the burden of proof to the Opposing Authorities;⁴⁹ that we should reject numbers that show DBS subscribership to be slightly over the statutory minimum;⁵⁰ that we should not treat DBS as a competitor of cable service;⁵¹ and that Time Warner, in addition to satisfying the statutory criteria of Section 623(l)(1)(A-B) of the Communications Act,⁵² must "meet a public interest criterion."⁵³ We have rejected these same objections in several previous decisions, and we do so here again for the reasons stated in those decisions.

d. Conclusion

20. Based on the foregoing, we conclude that Time Warner has submitted sufficient evidence demonstrating that both parts of the competing provider test are satisfied and Time Warner is subject to effective competition in the Attachment A Communities.

B. The Low Penetration Test

- 21. Section 623(1)(1)(A) of the Communications Act provides that a cable operator is subject to effective competition if the Time Warner serves fewer than 30 percent of the households in the franchise area. This test is referred to as the "low penetration" test.⁵⁴ Time Warner alleges that it is subject to effective competition under the low penetration effective competition test because it serves less that 30 percent of the households in the Attachment B Communities.
- 22. Based upon the subscriber penetration level calculated by Time Warner, as reflected in Attachment B, we find that Time Warner has demonstrated the percentage of households subscribing to

⁴⁹ Opposition at 10, 12. *But see Comcast II*, 24 FCC Rcd at 1783-84, ¶ 13; *Subsidiaries of Cablevision Systems Corp.*, 23 FCC Rcd 17012, 17013, ¶ 5 (2008), *application for review pending*; *Comcast Cable Commun.*, *LLC*, 22 FCC Rcd 694, 699, ¶ 14 (2007).

⁵⁰ Opposition at 8. *But see Cablevision Systems Westchester Corp.*, 24 FCC Rcd 872, 876, ¶ 16 (2009); *Comcast Cable Commun.*, *LLC*, 23 FCC Rcd 10939, 10942, ¶ 11 (2008) (dictum that 15.48% would be adequate and 13.48% would be inadequate); *Texas Cable Partners*, *L.P.*, 16 FCC Rcd 4718, 4722, ¶ 8, n.33 (2001) ("The statute . . . does not grant the Commission discretion in close cases. If the aggregate MVPD penetration rate is above 15%, effective competition, as defined by the Communications Act, exists").

⁵¹ Opposition at 10-13; Sumter Opposition at 2. *But see Comcast I, supra* note 24, at ¶ 14; *Comcast Cable Commun.*, Memorandum Opinion & Order DA 10-1713 at ¶ 6 (rel. Sept. 9, 2010), available at 2010 WL 3523846; *see also Cablevision Systems East Hampton Corp.* ("*East Hampton*"), 24 FCC Rcd 10846, 10849-50, ¶ 13 (2009).

⁵² 47 U.S.C. § 543(l)(1)(A-B).

⁵³ Opposition at 11-12; Sumter Opposition at 2. *But see Comcast I, supra* note 24, at ¶ 13; *Comcast Cable Commun., LLC,* Memorandum Opinion & Order DA 10-1723, ¶ 11 (rel. Sept. 10, 2010), available at 2010 WL 3547877; *see also East Hampton,* 24 FCC Rcd at 10849, ¶ 12 (2009); *see also* authorities cited *supra* note 24.

⁵⁴ 47 U.S.C. § 543(1)(1)(A).

its cable service is less than 30 percent of the households in the Attachment B Communities. Therefore, the low penetration test is satisfied as to the Attachment B Communities.

III. ORDERING CLAUSES

- 23. Accordingly, **IT IS ORDERED** that the petition for a determination of effective competition filed in the captioned proceeding by Time Warner Entertainment-Advance/Newhouse Partnership **IS GRANTED**.
- 24. **IT IS FURTHER ORDERED** that the certification to regulate basic cable service rates granted to or on behalf of any of the Communities set forth on Attachments A and B **IS REVOKED**.
- 25. This action is taken pursuant to delegated authority pursuant to Section 0.283 of the Commission's rules.⁵⁵

FEDERAL COMMUNICATIONS COMMISSION

Steven A. Broeckaert Senior Deputy Chief, Policy Division, Media Bureau

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⁵⁵ 47 C.F.R. § 0.283.

ATTACHMENT A

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COMMUNITIES SERVED BY TIME WARNER ENTERTAINMENT-ADVANCE/NEWHOUSE PARTNERSHIP

Communities	CUIDs	CPR*	2000 Census Households	Estimated DBS Subscribers
City of Cayce	SC0126	15.16%	5133	778
City of Columbia	SC0064	15.96%	42245	6743
Town of Irmo	SC0085	21.16%	3911	828
Town of Springdale	SC0128	21.48%	1206	259
City of Sumter	SC0017	18.62%	14564	2712
City of West Columbia	SC0127	18.86%	5968	1126

^{*}CPR = Percent of competitive DBS penetration rate. CPRs may be slightly inaccurate due to fractional DBS subscribers not stated above.

ATTACHMENT B

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COMMUNITIES SERVED BY TIME WARNER ENTERTAINMENT-ADVANCE/NEWHOUSE PARTNERSHIP

Communities	CUIDs	Franchise Area Households	Cable Subscribers	Penetration Percentage
Calhoun County	SC0320	4909	84	1.71%
Lee County	SC0113	5226	322	6.16%
Saluda County	SC0309	3393	240	7.07%